

# ***INSURANCE MARKET OF UKRAINE: TENDENCIES AND PROSPECTS OF REGULATORY POLICY***

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occupies the leading position at the market of financial services. As for the state of affairs on March, 31, 2009 at the insurance market of Ukraine there were 477 insurers, out of them 75 insurers have got a license to grant life-insurance. In comparison with the year 2008 the common amount of companies grew by 8, insurers which had the right to grant life-insurance, — 2 (tab. 1).

*Table 1*

## **AMOUNT OF INSURERS AND INSURANCE BROKERS AT THE MARKET OF UKRAINE IN THE YEARS 2003-2009**

Period	Amount of insurers / (among them life — insurers)	Insurance brokers
2003	357/ (30)	80
2004	387/ (45)	78
2005	398/ (50)	69
2006	411/ (55)	67
2007	446/ (65)	65
2008	469/ (73)	57
1 KB. 2009	477/ (75)	58

According to the results of the year 2008 the dynamic of key indicators at the market of Ukraine was positive. Indicative of that are the earnings indices of insurance bonuses and Ukraine insurers' payments, given in figure 1.

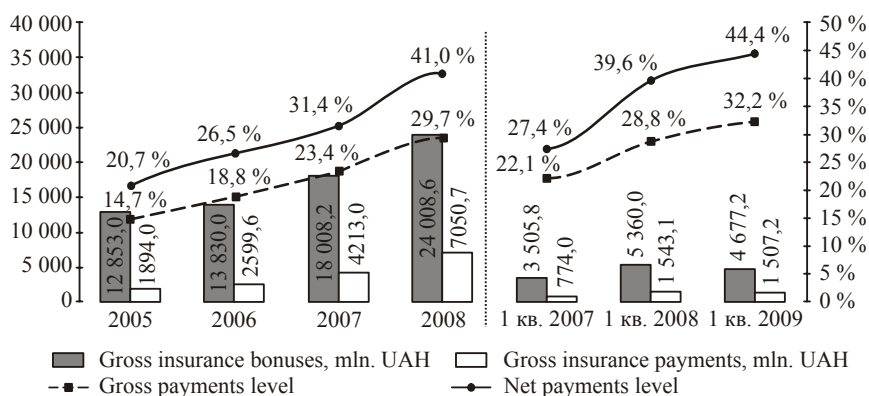


Figure 1. Gross insurance bonuses/ insurers payments in Ukraine during the years 2005—2008, the first quarters of the years 2007—2009

The earnings of gross insurance bonuses grew rapidly in 2008. So the volume of gross insurance bonuses in the year 2008 was 24 008,6 million UAH, it was 29,4 % more than in the year 2007, but according to the results of the first half-year in 2009 gross insurance bonuses were diminished to 12,7 % as compared to the first half-year in 2008.

For 177 «non-life» insurers (or 44 %) during the first quarter in 2009 the level of payments was less (15 %), out of them 6 insurers got bonuses — from 100—350 million UAH (totally 1,1 milliard UAH, or 24,5 % from the «non-life» market), the following companies actively did assumption of risks and transferred risks in reinsurance. For 65 «non-life» insurers (or 16 %) the level of payments was more than 50 %. Total bonuses for 65 «non-life» insurers — 1 152,7 million UAH or 26 % from the «non-life» market. Total payments for 65 insurers — 921,2 million UAH or 62 % from the «non-life» market (tab. 2).

Table 2

**EARNINGS AND TRANSFER OF RISKS TO REINSURANCE BY INSURERS (REINSURERS) IN UKRAINE IN THE FIRST QUARTER OF 2009**

	Gross insurance bonuses, million UAH	Including bonuses received for reinsurance		Prepaid for reinsurance	
		million UAH	Gross bonuses, %	million UAH	Gross bonuses, %
«non-life» insurers	4 470,3	1 282,7	28,7 %	1 529	34,2 %
including 20 reinsurers	464,6	421,8	90,8 %	433,6	93,3 %
20 reinsurers share is	10,4 %	32,9 %	Ч	28,4 %	Ч

Twenty insurers operated at the market as reinsurers[, i.e. in correlation to the gross bonuses more than 50 % got reinsurance], and more than 50 % paid the following reinsurance.

During the financial crisis at the insurance market in Ukraine the negative tendencies are being observed in relation to solvency of insurers, namely:

- the unprofitability of insurance grows (e.g. as a result of repair parts prices increase as well as services, including auto-Casco);
- reduction of «classic insurance» took place, in the first quarter in 2009 comparatively with the first quarter in 2008, gross bonuses insurance diminished by: for auto — 29 %, for loads and luggage — 45 %, for life-insurance — 11,1 % etc.;
- detention or non-payment of insurance compensations, for 5 months in 2009 the amount of complaints to the relevant authority (State Financial Services) (1873) has nearly attained the indices for two years (2015 complaints in 2007 and 2008).

According to the results for the first quarter in 2009 one insurance company was insolvent (the actual supply of solvency was less than normative), 4 insurance companies more have closely approached the same level, 30 companies (common insurance) have not done insurance engagements according to the terms of insurance contract by 9425 agreements of insurance, out of them 7549 (80 %) from physical entities (there were indicated accounts receivable for the total sum of 192, 5 mln UAH).

As a result of the world financial crisis, strengthening of supervision grows from the side of regulators. State Financial Services of Ukraine also will take measures in relation to stronger financial market control.

Basic directions of the state control in 2009 are:

- improving the mechanisms of temporal administration in non-bank financial institutions and renewal financial stability plans confirmation;
- the order improvement for the realization of financial institutions control;
- securing possibility for making the administrative regulation of financial institutions activity;
- supervising the implementation of non-bank financial institutions obligations before the users of their services – basic criterion of estimating the financial institutions activity in the conditions of crisis;
- introducing the | prudent supervision for non-bank financial institutions and gradual passing to realizing supervision on the basis of estimating the risks.

- providing access to non-bank financial institutions reserves, placed as deposits to the banking system establishments;
- removing the requirement in relation to the rating instruments level where the insurers and pension funds assets could be allocated, the authority delegation to financial markets regulators to acknowledge ratings estimations, given by the managers for state control;
- adopting Statute about obligatory criteria and norms of sufficiency of capital, diversification and qualities of insurer assets;
- confirming the conception and plan of transition of non-bank financial institutions to accounting procedure international standards;
- development of Conception for the law concerning creation of Fund for guaranteeing of insurance payments by life-insurance agreements.

From the side of regulatory authority the following work with the purpose to adapt | Ukrainian insurance legislation to some important principles, accepted by international practice is being carried out:

- creation of the State Agency for Export Contracts Insurance;
- creation of the State Reinsurance Company;
- adopting changes in relation to reinsurance requirements|;
- passing of non-bank financial institutions to accounting procedure international standards;
- application of advertising in the field of financial services;
- adopting the new editorship for the Insurance Law of Ukraine which provides for:
  - introduction of insurers registration exceptionally in the form of open corporation;
  - establishing the new insurer registration order;
  - reducing obligatory types of insurance list in accordance with EU directives recommendations|;
  - determination of branch industries and insurance types classification in accordance with recommendation of the First Directive of Advice 73/239/EEC.
  - creation of institute for professional reinsurance and introduction of licensing for this type of activity;
  - establishing the requirements to insurers solvency, which take into account insurer assets quality, his control and information opening systems;
  - establishing the requirements for substantial participation proprietors and acquiring substantial participation order;
  - setting requirements for insurer corporate management system;
  - determining the order of intermediary activity on the territory of Ukraine in accordance with EU legislation|;

— determining the legal status of actuaries, public accountants in the field of insurance.

Consequently, without regard to insufficient volumes of insurance bonuses and payments, the Ukrainian insurance market has permanent position at the European market and can strengthen it in the future on condition of favorable economic environment in Ukraine and in the World, improvement of investment climate.



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### ***РИНОК ЦІННИХ ПАПЕРІВ В УКРАЇНІ: ІДЕОЛОГІЯ БОРОТЬБИ З КРИЗОВИМИ ЯВИЩАМИ***

Головним наслідком економічних реформ в Україні стали кардинальні трансформаційні перетворення у відносинах власності, які торкнулися широкого спектра суспільних процесів. Поступово недержавний сектор завоював провідні позиції в економіці, що викликало відповідні зміни у механізмах фінансування діяльності українських підприємств та збільшення ролі ринку цінних паперів. Так, якщо в 1985 році за рахунок державних централізованих джерел фінансування здійснювалося 80 % інвестицій в основний капітал та монтажні роботи; в 1990 р. їх частка знизилася до 27 %; а за 1 квартал 2009 р. за рахунок коштів державного бюджету фінансувалося лише 1,4 % капітальних інвестицій.

Швидке моральне та фізичне старіння основних фондів разом зі стрімким зростанням приватного бізнесу, на тлі яких відбувалося скорочення централізованого фінансування інвестицій, вимагало переорієнтації підприємств на внутрішні джерела та надходження з фінансового ринку. В умовах явного ресурсного голоду, який з початком реформ відчула більшість компаній, фондовий ринок мав стати вагомим механізмом у подоланні існуючих проблем. Втім, з цілої низки причин, ринок цінних паперів не у пов-